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California Transportation Commission Testimony

California once had a transportation program funded almost exclusively from user fees protected by the California Constitution. We now have a program primarily dependent on motor fuel taxes, a funding source without constitutional protection. For each of the last four years, the proceeds from these taxes have been diverted from transportation. The reliance on funding that is not stable or dependable has created a crisis in the state's ability to address the transportation needs of California.

Based on the Transportation Commission's 1999 SR 8 Report, the annualized escalated transportation need is in the range of \$16 billion dollars. Funding specified in current law should provide an average of approximately \$4.5 billion per year, very slightly over a quarter of the identified need.

However, since 2001, over \$3 billion dollars of transportation funding has been diverted to fund General Fund deficiencies. The proposed budget increases this amount to \$4.5 billion, but provides the possibility that \$1.2 billion will be returned due to the realization of tribal gaming revenues.

The Governor's proposal to firewall Proposition 42 in the 2007-08 year and beyond goes a long way to reestablishing a stable and reliable funding source for transportation. However, the proposal to suspend Proposition 42 in the 2005-06 year, the prospect of a 2006-07 suspension and the proposal to payback loans over a 15 year period exacerbate an already untenable situation.

State Transportation Improvement Program (STIP) projects have been the hardest hit. The Commission has not funded a single new capacity project without borrowing from future federal funds since June 2003. The current budget proposal will force a continued suspension of funding for STIP projects.

We have not funded a Traffic Congestion Relief project since December of 2002. If the proposed budget is enacted, this moratorium will continue through next year, unless tribal gaming funds are realized.

This year, 2004-05, the Commission will only be able to fund half of the \$1.8 billion dollars in the already constrained State Highway Operations and Protection Program. Rehabilitation needs continue to grow exponentially as the system ages and the lack of investment in early stages translates into more costly repairs as the system deteriorates.

Next year, if the proposed budget is enacted, we will be able to fund only one half of the \$4 billion in the already constrained STIP and SHOPP, although realization of the tribal gaming revenues will allow for allocations over and above this amount.

In cooperation with legislative staff, the Commission staff has outlined a range of alternative funding options for 2005-06 and what they would mean for transportation funding allocations in the coming year.

While some of these options would address our most immediate needs, none of them would resolve the longer range issue of the need for stable and reliable funding. The Commission is now beginning the development of the 2006 fund estimate, which will be the basis for the new 5-year State Transportation Improvement Program (STIP), scheduled for adoption in April 2006.

Each STIP is based upon an estimate of funding under current law. For each the last three STIPs, we have assumed annual transfers of the gasoline sales taxes now dedicated under Proposition 42. Where funds have been suspended, we have assumed repayment on the schedule now provided in law. In the 2004 STIP, we could not add new projects and we were forced to delay \$5.4 billion in existing projects by two years or more.

The funding outlook for the 2006 STIP is even worse. We now face the very real prospect, not only of further delays, but of deleting as many as half of the projects now programmed. With a historical record that shows repeated suspensions of Proposition 42 and continuing deferments of loan repayments, the prudent course for the Commission would appear to be to build a STIP that does not assume any revenues from Proposition 42 transfers or loan repayments.

Following, for your consideration, are the range of alternative funding options that would address the most immediate needs:

Funding Option 1: Funding to complete existing TCR Program allocations, plus funding for new STIP allocations programmed in 2005-06 that do not require TCR Program match.

Resources Needed by Fiscal Year for Funding Option #1

	2005-06	2006-07	2007-08	Beyond
STIP Programming for 2005-06 without TCRP Match	\$256 M	\$640 M	\$384 M	\$ 0
TCRP Existing Allocations	\$ 0	\$76 M	\$18 M	\$ 0
Resources Needed	\$256 M	\$716 M	\$402 M	\$ 0

Funding Option 2: Add funding for the remainder of new STIP allocations programmed in 2005-06, plus the new TCR Program allocations required to match them.

Resources Needed by Fiscal Year for Funding Option #2

	2005-06	2006-07	2007-08	Beyond
STIP Programming for 2005-06 without TCRP Match	\$256 M	\$640 M	\$384 M	\$ 0
STIP Programming for 2005 with TCRP Match	\$57 M	\$142 M	\$85 M	\$ 0
TCRP Match for STIP Programming in 2005-06	\$6 M	\$13 M	\$16 M	\$72 M
TCRP Existing Allocations	\$ 0	\$76 M	\$18 M	\$ 0
Resources Needed	\$319 M	\$871 M	\$503 M	\$72 M

Funding Option 3: Add funding for new TCR Program allocations to repay currently approved Letters of No Prejudice.

Resources Needed by Fiscal Year for Funding Option #3

	2005-06	2006-07	2007-08	Beyond
STIP Programming for 2005-06 without TCRP Match	\$256 M	\$640 M	\$384 M	\$ 0
STIP Programming for 2005 with TCRP Match	\$57 M	\$142 M	\$85 M	\$ 0
TCRP Match for STIP Programming in 2005-06	\$6 M	\$13 M	\$16 M	\$72 M
TCRP Existing Allocations	\$ 0	\$76 M	\$18 M	\$ 0
TCRP Repayment - Approved AB 1335 Letters of No Prejudice	\$119 M	\$ 0	\$150 M	\$ 0
Resources Needed	\$438 M	\$871 M	\$653 M	\$72 M

Funding Option 4: Add funding for new TCR Program allocations for all other construction projects ready for delivery in 2005-06.

Resources Needed by Fiscal Year for Funding Option #4

	2005-06	2006-07	2007-08	Beyond
STIP Programming for 2005-06 without TCRP Match	\$256 M	\$640 M	\$384 M	\$ 0
STIP Programming for 2005 with TCRP Match	\$57 M	\$142 M	\$85 M	\$ 0
TCRP Match for STIP Programming in 2005-06	\$6 M	\$13 M	\$16 M	\$72 M
TCRP Existing Allocations	\$ 0	\$76 M	\$18 M	\$ 0
TCRP Repayment - Approved AB 1335 Letters of No Prejudice	\$119 M	\$ 0	\$150 M	\$ 0
TCRP Construction in 2005-06	\$410 M	\$290 M	\$156 M	\$211 M
Resources Needed	\$848 M	\$1.161 B	\$809 M	\$283 M

Funding Option 5: Add funding for new allocations for all remaining TCR Program projects, including preconstruction and construction work in future years.

Resources Needed by Fiscal Year for Funding Option #5

	2005-06	2006-07	2007-08	Beyond
STIP Programming for 2005-06 without TCRP Match	\$256 M	\$640 M	\$384 M	\$ 0
STIP Programming for 2005 with TCRP Match	\$57 M	\$142 M	\$85 M	\$ 0
TCRP Match for STIP Programming in 2005-06	\$6 M	\$13 M	\$16 M	\$72 M
TCRP Existing Allocations	\$ 0	\$76 M	\$18 M	\$ 0
TCRP Repayment - Approved AB 1335 Letters of No Prejudice	\$119 M	\$ 0	\$150 M	\$ 0
TCRP Construction in 2005-06	\$410 M	\$290 M	\$156 M	\$211 M
TCRP Preconstruction in 2005-06 and Future Year Preconstruction and Construction	\$262 M	\$341 M	\$516 M	\$853 M
Resources Needed	\$1.110 B	\$1.502 B	\$1.325 B	\$1.136 B

Attachments

Attachment A – State Transportation Improvement Program (STIP)

- A-1 STIP Resource Need Summary
- A-2 List of 2005-06 STIP Programmed Projects without TCR Program Match (Funding Options 1 through 5)
- A-3 List of 2005-06 STIP Programmed Projects with TCR Program Match (Funding Options 2 through 5)

Attachment B – Traffic Congestion Relief Program (TCR Program)

- B-1 TCR Program Resource Need Summary
- B-2 List of TCR Program Projects with Existing Allocations with Remaining Expenditures (Options 1 through 5)
- B-3 List of TCR Program Projects Providing Match to 2005-06 STIP Programmed Projects in 2005-06 (Options 2 through 5)
- B-4 List of TCR Program Projects with a Currently Approved Letter of No Prejudice (Options 3 through 5)
- B-5 List of TCR Program Projects for Construction in 2005-06 (Options 4 and 5)
- B-6 List of TCR Program Projects for Preconstruction in 2005-06 and Future Year Preconstruction and Construction (Option 5)